

## *The Cost of Private Passenger Automobile (PPA) Insurance*

Auto insurance is something that all drivers are required to have, and hopefully never have to use. Despite having a good driving record, sometimes, it seems that your auto insurance premium keeps increasing every year. There are many things that can cause your premium to increase, but one of the underlying causes is the cost of claims.

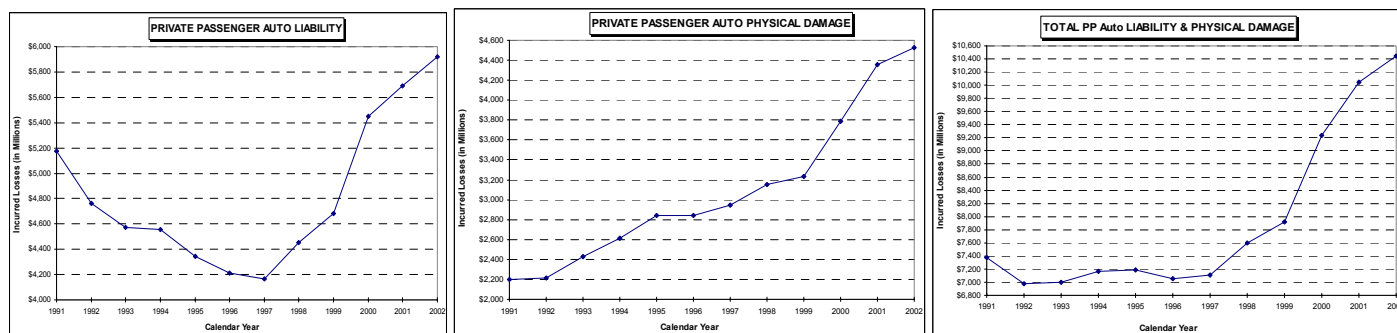
Private Passenger Automobile (PPA) insurance mainly consists of:

- 1) **Liability Coverage**, which covers Bodily Injury and Property Damage claims filed by the other driver or injured parties.  
[Note: the Liability data presented includes Uninsured Motorists Coverage which pays for injury to you or damage to your car caused by uninsured drivers, and Medical Payments Coverage which pays for injured passengers in your vehicle.]
- 2) **Physical Damage Coverage**, which covers Collision and Comprehensive damage/loss to your insured vehicle.

The premiums that an insurance company charges are used to cover the actual cost of a claim (loss), the expenses that the company incurs to settle the claim such as litigation and claim adjustment expenses, and the company's overhead expenses. Insurers base their rates on the overall loss experience of all drivers they insure. So while you may have a perfect driving record and have never been involved in an accident, your premium is still affected by the claims of other drivers insured by your company.

Insurance is a business, like any other businesses. When the cost of goods goes up, the business increases its prices in order to meet projected costs and expenses. Similarly, the price of auto insurance is based on the total claim costs and expenses of the company. The claim costs are mainly affected by the cost to repair a vehicle and medical payments. So, when medical expenses and repair costs increase, insurance premiums also increase.

The following charts show the historical loss experience for PPA insurance in California. The graphs display the claim cost for Liability, Physical Damage, and All Coverages Combined, from 1991 to 2002. As you will notice, the total claim cost for Liability Coverage had been decreasing from 1991, until it started an up-trend in 1997. On the other hand, the total claim cost for Physical Damage Coverage has been increasing every year from 1991 to 2002. Overall, for all coverages combined, the total claim cost has been drastically increasing since 1997. [Click on chart to see detail](#)



While the purpose of an insurance company's pricing is to be able to cover all losses and expenses, and still make a reasonable profit on the business, each auto rate change is filed with the Department of Insurance for review and prior approval. The companies must be able to fully justify their need for any increase before approval is given. Attention is given to ensure that companies are not overcharging to pay for inflated expenses or profit. Moreover, when the situation warrants it, rates are adjusted downward to match the trend in losses.

In order to get the lowest auto insurance premium available, we recommend that you maintain a good driving record and shop around for your auto insurance. For further information on shopping for Auto Insurance, please check out the Department's websites:

[Auto Insurance Premium Comparison Survey](#) and [Consumer Brochure on Automobile Insurance](#).

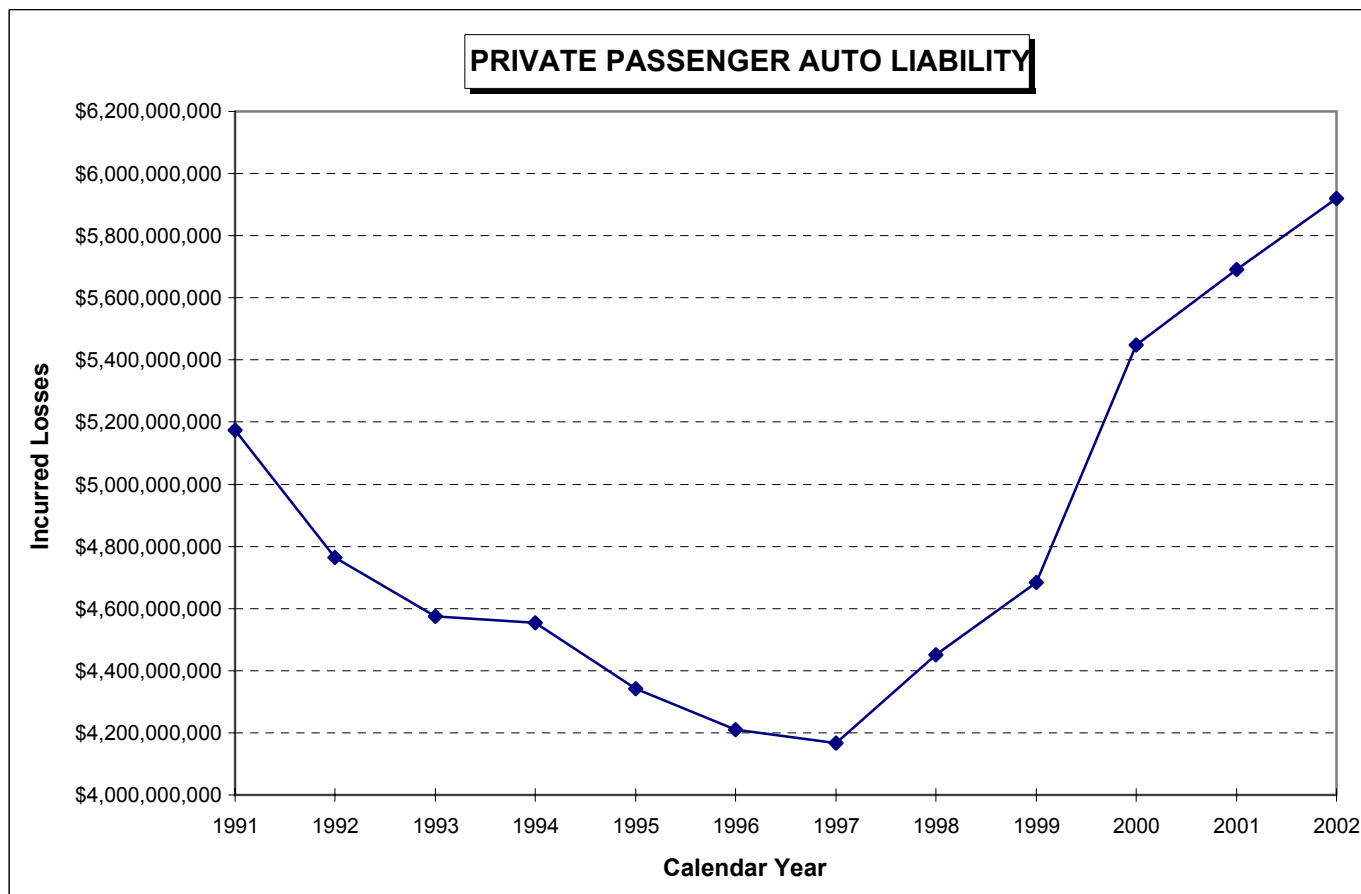
Also, if you have any problems or questions about your auto insurance, contact the California Department of Insurance at 1-800-927-HELP (4357).

## 1991-2002 CALIFORNIA PP AUTO LIABILITY INSURANCE

### Incurred Claim Cost (Losses)

Calendar Year	PP Auto Liability
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1991	\$5,174,507,699
1992	\$4,764,423,001
1993	\$4,574,662,114
1994	\$4,554,602,186
1995	\$4,341,810,741
1996	\$4,210,066,396
1997	\$4,167,660,111
1998	\$4,450,515,689
1999	\$4,684,378,285
2000	\$5,448,618,819
2001	\$5,690,894,896
2002	\$5,919,685,968



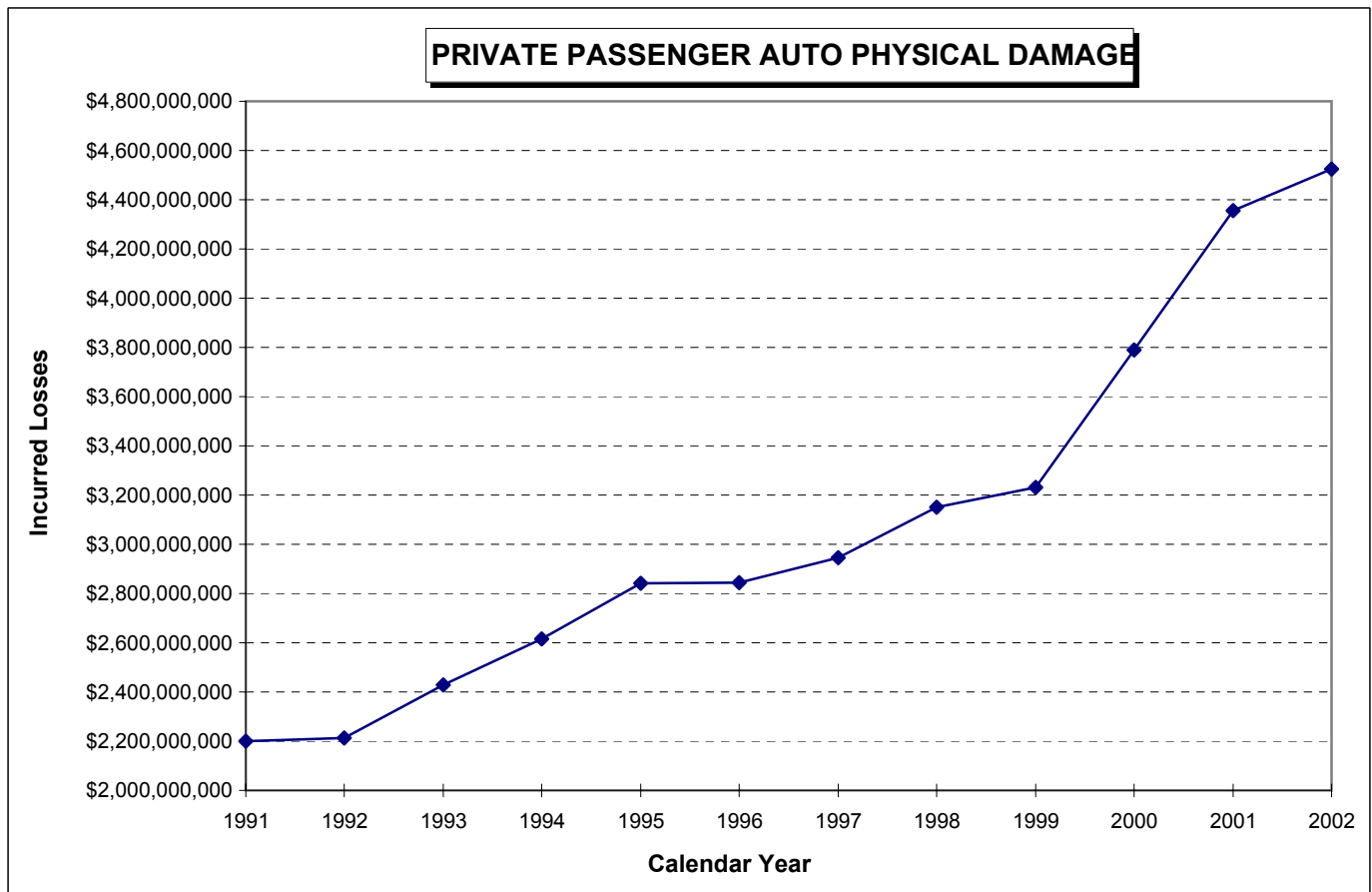
Note: This report includes only companies with written premium greater than zero.

## 1991-2002 CALIFORNIA PP AUTO PHYSICAL DAMAGE INSURANCE

### Incurred Claim Cost (Losses)

Calendar Year	PP Auto Physical Damage
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1991	\$2,199,074,668
1992	\$2,211,775,060
1993	\$2,427,657,463
1994	\$2,616,227,138
1995	\$2,842,755,465
1996	\$2,843,791,909
1997	\$2,944,936,798
1998	\$3,150,988,428
1999	\$3,231,996,138
2000	\$3,790,510,167
2001	\$4,355,983,961
2002	\$4,523,715,722

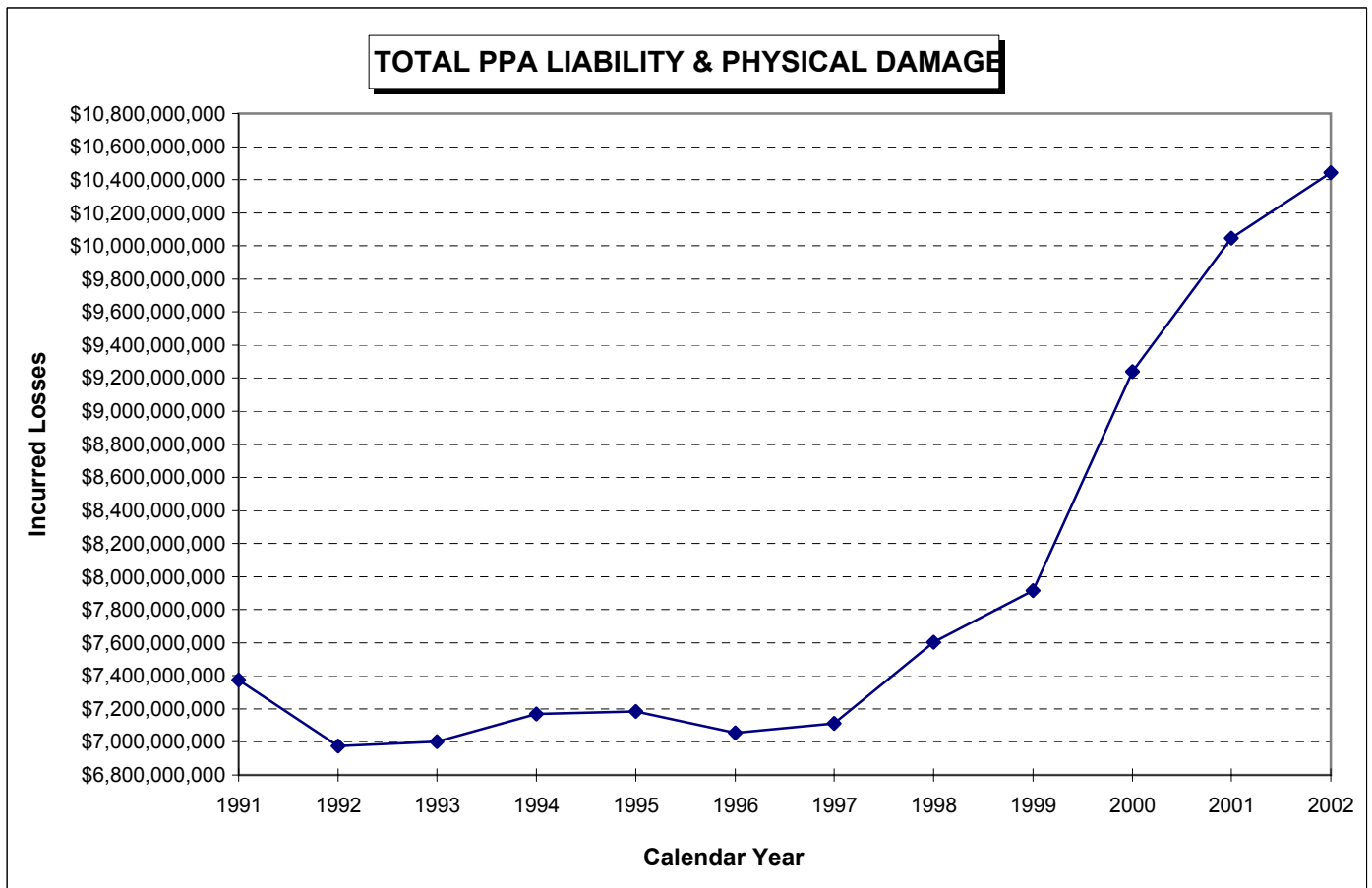


Note: This report includes only companies with written premium greater than zero.

# 1991-2002 CALIFORNIA PRIVATE PASSENGER AUTO INSURANCE

## Incurred Claim Cost (Losses)

Cal Yr	PP Auto Liability	PP Auto Physical Damage	Total Liability & PhysDmg
1991	\$5,174,507,699	\$2,199,074,668	\$7,373,582,367
1992	\$4,764,423,001	\$2,211,775,060	\$6,976,198,061
1993	\$4,574,662,114	\$2,427,657,463	\$7,002,319,577
1994	\$4,554,602,186	\$2,616,227,138	\$7,170,829,324
1995	\$4,341,810,741	\$2,842,755,465	\$7,184,566,206
1996	\$4,210,066,396	\$2,843,791,909	\$7,053,858,305
1997	\$4,167,660,111	\$2,944,936,798	\$7,112,596,909
1998	\$4,450,515,689	\$3,150,988,428	\$7,601,504,117
1999	\$4,684,378,285	\$3,231,996,138	\$7,916,374,423
2000	\$5,448,618,819	\$3,790,510,167	\$9,239,128,986
2001	\$5,690,894,896	\$4,355,983,961	\$10,046,878,857
2002	\$5,919,685,968	\$4,523,715,722	\$10,443,401,690



Note: This report includes only companies with written premium greater than zero.